



Is Help to Buy ISA good for me?

A new ISA to boost the savings of prospective first time buyers with an added government bonus is to be made available from the autumn of this year, George Osborne announced in his 2015 budget. The scheme, offers a major tax break to those saving up a deposit to make their first step on the property ladder.

The bonus will represent 25% of the amount saved on a monthly basis up to £200 after an initial lump sum of up to £1,000 - if a saver puts away the full £200 each month, the government will add another £50.

Accounts can be opened for a period of up to four years, which means that in total up to £3,000 from the government is available on a savings pot of £12,000. Accounts are limited to one per person but a couple could pool together their savings to get £6,000 towards buying a home.

These savings then can be used to buy a first home worth up to £450,000.00 in London or £250,000.00 elsewhere in the UK. Banks and building societies will offer the new cash ISA, and although it is still unclear at this stage how competitive the interest rates will be, the 25% cash boost from the Government looks extremely generous.

The limitation to remember however is that only a maximum of £200 can be put into the ISA each month, so if you have £12,000 already you cannot deposit all of this into a Help to Buy ISA and expect to receive the money straight away, it must be done over the period of around 4 years. This means it will take at least four and a half years for savers to reach the £12,000.00 limit and qualify for the maximum state top-up. Furthermore this scheme is only available to first time buyers trying to get onto the property ladder, so is not applicable for every prospective purchaser.

There are further concerns however about this scheme, as illustrated by Stuart Adam, senior research economist at the Institute for Fiscal Studies. He stated that as it will take first time buyers a long time to reach the £12,000 limit it could actually delay people getting onto the ladder. He also said that in about five years' time when people who saved the maximum into the Help to Buy ISA will be looking to access the money, there may be a jump in the demand which will drive up property prices. Whatever the conflicting views may be, the Help to Buy ISA will only be implemented if the Conservatives are re-elected, so it may be that none of the above scheme comes to pass. However should it be put into effect it is definitely something that all those who are considering to purchase in the future should take into consideration.